

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

|  |   |                     |
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| In the Matter of                       | ) |                     |
|  | ) |                     |
| Federal-State Joint Board on Universal | ) | CC Docket No. 96-45 |
| Service                                | ) |                     |
|  | ) |                     |
| Reply Comments on Notice of Proposed   | ) | FCC 04-127          |
| Rulemaking – Recommended Decision      | ) |                     |
| Of the Federal-State Joint Board on    | ) |                     |
| Universal Service                      | ) |                     |

**COMMENTS OF THE  
IOWA UTILITIES BOARD**

Comes now the Iowa Utilities Board (Board or Iowa) and, pursuant to the revised pleading cycle established by the Federal Communications Commission (FCC or Commission) in the August 26, 2004, Public Notice DA 04-2687, offers the following reply comments in this matter. The notices invite parties to comment on the Recommended Decision of the Federal-State Joint Board on Universal Service (Joint Board). The FCC seeks comment on the recommendations concerning the process for designation of eligible telecommunications carriers (ETCs) and on its rules regarding high-cost universal service support.

**ETC Designation Process:**

The Joint Board recommends state commissions utilize flexible and non-binding federal guidelines in a rigorous ETC designation process. The Joint Board concluded that only qualified applicants that are prepared to serve all

customers in their designated service area should be awarded ETC status. It is believed that these guidelines will aid states in their public interest analysis and improve the long-term sustainability of the fund.

Iowa does not object to flexible and non-binding federal guidelines. However, Iowa believes that states should be given the ability to craft administrative rules and filing requirements for compliance as an alternative to addressing each guideline for each ETC application on a case-by-case basis. States should have the option of fulfilling their duty to review ETC applications pursuant to state administrative rules.

In addition to ETCs being required to provide nine defined functionalities for local service, the Joint Board has also suggested that additional items for minimum eligibility requirements be added to the certification process. Additional minimum eligibility requirements for state commissions to consider during the process of granting ETC status include: a carrier have adequate financial resources; a commitment and ability to provide supported services; the ability to remain functional in emergencies; and, that the state commissions may properly impose consumer protection requirements and the amount of local usage an ETC should offer as a condition of federal universal service support.

Iowa is generally supportive of having the additional requirements as part of the ETC certification process. However, there are concerns as to what the minimum level of financial health an organization should possess in the process of being granted ETC status. Iowa believes that the FCC should establish minimum thresholds for the determination of adequate financial resources as to

ensure consistent nationwide treatment of all organizations requesting ETC status

The Joint Board recommends states require ETC applicants demonstrate their capability and commitment to provide supported services throughout the designated service area and to be the sole ETC in an area where the ILEC relinquishes its designation. States should require ETC applicants to submit formal build-out plans for areas where facilities do not yet exist. States can require ETC applicants to utilize resale in their plans to serve all customers upon reasonable request as a condition of ETC designation. Iowa agrees with the Joint Board's recommendation to review build out plans and the requirement of ETC applicants utilizing resale, as needed, to serve all customers in a designated serving area.

The Joint Board recommends states require ETC applicants demonstrate their ability to remain functional in emergency situations. To accomplish this, states will need to make detailed factual findings of the technical capabilities of ETC applicants.

The Joint Board recommends states impose consumer protection requirements as a part of the ETC designation process. Iowa supports the application of consumer protection measures.

The Joint Board suggests states consider setting a minimum local usage requirement by comparing the ILEC's offering to the local calling plan proposed by the ETC applicant. Iowa takes the position that the FCC should establish minimum local usage levels in an effort to provide a minimum nationwide

standard. To enhance the competitive nature of this industry, carriers should be allowed to offer local usage in excess of the national standard.

Iowa believes that administrative rules can be developed at the state level to address all proposed additional minimum eligibility requirements proposed by the Joint Board, once the FCC establishes threshold levels.

The Joint Board recommends that the Commission encourage states to use the annual certification process for all ETCs to ensure that federal universal service support is used to provide supported services and associated infrastructure costs. This recommendation was made to ensure the accountability of all ETCs for proper use of funds. Additionally, the Joint Board believes that the state certification process provides the most reliable means of determining whether carriers are using support in a manner consistent with section 254.

Performing annual audits of ETCs raises concerns for Iowa. Given the number of rural independents and CETCs operating within the state, annual audits of all service providers is not attainable with the Board's current staff level. If annual audits were to be performed, it may be appropriate to randomly sample a limited number of ETCs on an annual basis. Iowa is also concerned that in some situations, the cost to small service providers for the audits could exceed any high-cost support received.

Iowa offers another approach involving the use of USAC/NECA resources. Currently as part of the annual cost company data gathering efforts for high cost support filings, NECA conducts audits to determine the validity of the information

filed by the local service providers. The number of companies selected for audit is set as to provide a statistically valid sample. Iowa suggests that the Commission expand NECAs/USACs audit process to include verification of the utilization of support funds. Price-cap, CLECs, and average schedule companies would need to be included in the audit base. Reports of findings could be forwarded to the states.

#### Scope of Support:

The Joint Board recommends that the FCC limit the scope of high-cost support to a single connection. Limiting the scope of high-cost support to a single connection is more consistent with the goals of section 254 and increases fund sustainability. Limiting support to a single connection is competitively neutral and sends appropriate entry signals to competitive ETCs. The Joint Board contends that limiting support to a single connection will not unfairly advantage incumbent LECs because they preceded competitive ETCs in rural and high-cost areas.

The Joint Board recommends that the Commission take steps to avoid or mitigate reductions in the amount of high-cost support flowing to rural areas as a result of implementing a primary-line restriction. The Joint Board believes that if the Commission implements a primary-line restriction, it must adopt some means of preventing or mitigating reductions in support available to rural carriers. The Joint Board offers three potential proposals: (1) Restatement Proposal; (2) Lump Sum Payment Proposal; (3) “Hold Harmless” Proposal.

Iowa believes that limiting the scope of high-cost support to only a primary connection could have an adverse impact on small rural service providers. Currently, none of the price-cap companies within the state receive any high cost support. However, most of the remaining small companies receive some high-cost support. If a “safety-net” is not provided for these small companies as high cost support is targeted towards a single connection, most will experience a negative impact on their cash flows from the high-cost fund. The impact on each company will vary depending upon the number of lines being used for service other than a primary connection.

Iowa believes that regardless of the approach taken by the FCC to protect fund sustainability, the high-cost support flows to the small rural companies should be maintained or the adverse impact mitigated. Many of these small carriers provide service in areas where entry of competitive service providers is unlikely and the infrastructure must be maintained if the rural consumers are to receive the same services as their urban counterparts at comparable rates.

Iowa recommends the FCC instruct USAC/NECA to gather needed information from the various carriers and determine the impact on individual companies prior to making a final decision in this matter. The FCC should take all necessary steps to prevent or mitigate reductions in high-cost support to rural carriers.

## Conclusion

Iowa appreciates the opportunity to submit reply comments on the FCC's Notice of Proposed Rulemaking on the Recommended Decision of the Joint Board.

Respectfully submitted,

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